SCHEDULE A

AN ANNUAL BUDGET AND SUPPORTING DOCUMENTATION MOPANI DISTRICT MUNICIPALITY

ANNUAL BUDGET OF

MOPANI DISTRICT MUNICIPALITY

2014/2015 TO 2016/17

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

Copies of this document can be viewed:

- In the main office and sub-offices of all municipal buildings
- All public libraries within the municipality
- At www.mopani.gov.za

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Abbreviations and Acronyms

ASGISA	Accelerated and Shared Growth Initiative
BC	Budget Committee
CFO	Chief Financial Officer
MM	Municipal Manager
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
FBS	Free basic services
GDP	Gross domestic product
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
IDP	Integrated Development Plan
IT	Information Technology
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt
ℓ	litre
LED	Local Economic Development
MMC	Member of Mayoral Committee
MFMA	Municipal Financial Management Act
MIG	Municipal Infrastructure Grant
MSA	Municipal Systems Act
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Municipality Regulator South Africa
NKPIs	National Key Performance Indicators
OP	Operational Plan
PMS	Performance Management System
PPE	Property Plant and Equipment
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprises

Part 1 – Annual Budget

1.1 Mayor's Report

SPEECH DELIVERED BY THE EXECUTIVE MAYOR OF MOPANI DISTRICT MUNICIPALITY CLLR L.J MATLOU ON THE OCCASION OF THE APPROVAL OF THE 2014/15 IDP AND BUDGET AT GIYANI MDM COUNCIL CHAMBER ON THE 30TH OF MAY 2014.

Madam Speaker

Chief Whip

All Mayor

Mayoral Committee members

Fellow councillors

Traditional leaders

Municipal manager and our officials

Sector departments

NGOs and CBOs present in our midst

Our esteemed guests

Ladies and Gentlemen

Madam Speaker, it is a great privilege and honor to address this sitting of our Council on this important meeting- the presentation of the reviewed & revised Integrated Development Plan (IDP) and the Budget for the financial year 2014/15. On behalf of the entire council of the Mopani District Municipality, I wish to extend our warmest greetings to every one of you who have deliberately abandoned their hard pressing commitments just to grace this august sitting.

We are also aware that there are tens of thousands of our community members who are following the proceedings from this chamber through the airwaves on Giyani Community Radio, Greater Tzaneen Community Radio, Sekgosese Community Radio and Ba-Phalaborwa Community Radio stations. We want to also welcome them and thank them for listening.

Madam Speaker

Just on the 7th of May 2014 our country held yet another milestone event; the 5th democratic elections. We have witnessed how the South African people once again proved to the entire world how committed they are to the ideals of democracy by peacefully going through the election process and also embracing the outcomes.

We have to pause and thank all people of South Africa for the peace we witnessed during elections and also thank all political parties for providing leadership in ensuring that we witness peaceful elections and a peaceful atmosphere post elections. I am saying all this because in some countries, peace during and post elections remain an unattainable luxury. As South Africans we ought to take a bow and also pat ourselves on the back for a job well done.

Madam Speaker

During the same process of elections, majority of South Africans overwhelmingly voted for the ANC into power for the fifth time since the dawn of freedom and democracy. This gesture must be interpreted in two folds;

- That the majority of our people have an unwavering confidence in the leadership of the African National Congress ,
- And that the majority of our people believe that the ANC remains the only party which can bring into reality the aspirations of the masses who most are still trapped in squalor living conditions and poverty.

The ANC led government therefore must take this confidence displayed by people of South Africa as a motivating factor to punch beyond its weight in its endeavour to improve the lives and living condition of the people. We must join hands all of us and work together in order to move South Africa forward.

Ladies and gentlemen

This document reflects the third cycle of the IDP, aligned to the 2001, 2006 and 2011 IDPs of Mopani District Municipality. In over ten years of the existence of Mopani District Municipality we have much to point to the development of our communities in both social and economic development through the IDP as a transformational tool to fulfill “the people shall govern”

The areas which had no drop of clean water have graduated from the situation. Communities, who used dung for energy to cook, have access to electricity. Communities who were using bucket system for toilet have graduated from that. Our rural areas have started to receive Refuse removal services. Communities who had no access to economic opportunities have been made better by bringing jobs nearer to home through our growth points development initiatives.

We still cannot stay at the comfort of these achievements. There are still patches of areas and households falling short of basic services. In order to ensure that no-one is left out leadership still has the next hurdle to go through. IDP (plan) is the results of very hard work aimed at laying a step for the new Council to start and deliver services to the people.

This loaded objective shall remain the drive for the third face of our Council. Having learned from the past, the vision of the District is “To be the food basket of Southern Africa and thé Tourism destination of choice”. Being guided by this vision, the development priorities, objectives and strategies for the next five years were set, to ensure the impact of development within our communities. Indeed this first version of the IDP for the third Council – is the result of many months of consultation within communities, organs of Mopani District Council and with various institutions and stakeholder organizations in the district. It has been a politically driven process that resulted in a plan that is aimed at guiding the socio-economic development of our communities even during the transition from this Council to the next.

It is an overarching plan that defines the synergy between various priority needs from both three spheres of government and the sector plans that addresses these needs in a manner that allows government policies to operate.

Through a number of programmes that the District has, e.g. IDP Representative forum, Mayoral Imbizos, IGFs, different summits, corporate interest groups, etc., I have been able to "hear from the ground" with confidence. That has assisted in the review of community and stakeholder needs, reprioritization of developmental objectives and seeking better ways to implement programmes to achieve key objectives and measuring municipal performance. The municipality has set its focus on addressing the needs of, particularly, the rural poor, in order to graduate them from the prejudices of poverty into "better life for all". It has identified its key priority issues, objectives, strategies, programmes and projects to respond to the institutional and socio-economic challenges facing the district.

The Spatial Development Framework (SDF) and the Local Economic Development (LED) Strategy give us a comprehensive description of our environment and its spatial characteristics. They also reflect on the district's comparative advantages and opportunities as confirmed during the District Growth and Development Summit held in February 2007.

This IDP has a clear and quantified budget, and implementation plans as well as the Organizational Performance Management System. And to that effect, it will be clear from the content that the District has progressed tremendously since 2006 to date, despite the institutional challenges that need continuous adjustment. In our endeavour to provide services to our communities we continue to realize that when we attain one milestone, there are still more challenges ahead. That gives us clear indication that IDP and its review processes will remain the popular roadmap for the transformation of our society. Surely the programmes and projects set in this document will enable the District to pass the next hurdle of development.

We hereby present this Plan as a developmental plan for all government with clear strategically reference to every activity carried out within the District, by the municipalities, private sector, Traditional leaders as well as other organs of the state. It is indeed the living document that captures aspirations of our communities and it is in no way intended to be static, rather dynamic. It requires an accelerated degree of intergovernmental action and alignment to ensure that all developmental players in the district align their plans to government-wide priorities.

On behalf of Council, I hereby acknowledge with appreciation the efforts, commitment, contribution and patience of our councillors, traditional leaders, communities, stakeholders, administrative staff and the representatives of national and provincial government in ensuring that we produce a reviewed IDP that advances the plan of government in a developmental local government.

We view our IDP and Budget not only as key and strategic documents, but also as instruments through which we manage the public purse to improve the quality of life of the people we serve. Hence key among the reasons of our convergence here today, is to bring to finality the vigorous process of community consultation and participation on the general outlook and content of both our Integrated Development Plan and our budget for the 2013/14 financial year as I have alluded to above.

In line with Section 152 sub- section (1)(a) of our Constitution of the Republic of South Africa, we are bound **"To provide a democratic and an accountable government for all communities."** Indeed we have to continuously consult our communities not only to comply

with legislative obligations, but because ours is a participatory democracy where service delivery is purely premised on the needs and aspiration of the communities.

To this intent, we have listened to our communities, we have captured their aspirations in this budget and IDP documents we are presenting here today, subject to the flexibility of the resources we have at our disposal, and as such we can boldly declare without fear of contradiction that these are people orientated budget and IDP.

Madam Speaker

Amilcar Cabral, a well known African Revolutionary Intellectual once said **"Always bear in mind that people are not fighting for ideas, or for the things in anyone's head.**

They are fighting to win material benefits, to live better and in peace, to see their lives go forward, to guarantee the future for their children…"

In essence, what Cabral is advising us is that our struggle for freedom and democracy will be made meaningless if the lives of majority of our people are not moving forward. Indeed our freedom and democracy does not mean a thing if majority of our people are still without basic amenities such as water, houses, roads, bridges and jobs. It is therefore our responsibility as government to ensure that these amenities get to our people; living true to the long term vision of the ANC led government which is to bring a better life for all.

We are doing this by sticking to our electoral mandate which is working together to build better communities. Our simple understanding of better communities is the communities where there are uninterrupted basic amenities such as water, infrastructure, accessible roads, electricity decent sanitation and housing especially, in rural areas. Hence we have not relented in ensuring that with the little resources which we have, we cover as much ground as possible.

According to Census 2011, Mopani District has a population of 1092 507, 81 percent of which live in rural areas. According to these findings, 37 percent of this population is unemployed.

We are presenting here today a budget of R1BILLION 560MILLION 993THOUSAND AND 600 (R1, 560 993, 600) which must capture the aspiration of over **1092 507.** This budget must in line with the five key priority areas of government create jobs for the 37 percent of our unemployed population. This budget must ensure that this 81 percent of our community members who live in rural areas see development where they live in line with government's priority for Rural Development. We must ensure that we fight crime, prioritize education for our children and decent health for our communities. Indeed by working together we are building better communities.

Madam Speaker

Water is life. We can't throw our hands in the air helplessly because we have old infrastructure. We are continuing with our strides of ensuring that amid all these challenges, our communities get portable drinking water in the meantime. This year we will be completing the Water Reticulation to Villages in Greater Giyani. We believe that this project will bring much Needed relief to many villages in the Greater Giyani such as Mapuve, Nkuri,

Siyandhani and others.

Still in Greater Giyani, we have long identified the need to maximize the capacity of the Giyani Water Works at the Nsami Dam. In 2013/14 financial year, we will be continuing with our mission of ensuring that the plant is capacitated enough to serve the majority of communities in Greater Giyani who have for long endured ravaging water shortages. On the same breath, we have set aside an allocation to ensure that we take the Nsami to Nandoni Pipeline to the next phase. We will be spending over R100 million on water infrastructures in Greater Giyani.

Madam Speaker

We are well aware of the water challenges faced by the communities around Mawa and N'wamitwa area. We have set ourselves a target to complete the Jopie to Mawa Bulk Water Supply on the coming financial year beginning in July. Also in Greater Tzaneen we will also continue with the construction of the Lephephane Bulk Water Scheme and the upgrading of water reticulation schemes in various villages within the Greater Tzaneen Municipality. We will in the 2014/2015 spend about R70 million on water projects in Greater Tzaneen.

We are also encouraged with the progress we are making with the Sekgosese Ground Water Scheme. We have completed the third phase of this project. During the 2014/15 financial year, we will ensure to deal with water challenges in the Sekgosese area once and for all. The total allocation for water in Greater Letaba is around R45 Million.

We will spend R47 million in Ba-Phalaborwa for various water projects which including Selwane Water Scheme, the upgrading of Water Reticulation in various areas within Ba-Phalaborwa.

The water crises in Maruleng are well documented. One of our biggest water schemes is being built in that area which is the Mametja- Sekororo Rawa Water Works. Through this project, we are building a purification plant, reservoirs, laying pipelines and also reticulation. Upon completion, it is estimated that this project will bring alleviation to over 40 000 residents in that area. By working together, we are doing more with little resources to build better communities and move South Africa forward.

Similarly, the amount we have put aside for water provision will not be complete without cost recovery measures. Our residents should start paying for water so that our water projects can remain sustainable.

Madam Speaker

We shoulder a responsibility of preventing and mitigating against disasters. Our district has experienced both natural and human caused disasters in the past years. We are proud of the intervention measures which we have implemented during those turbulent days. We will continue to play our role in ensuring that we make our communities aware of dangers of disasters and also how to react to them. We have made an allocation of R24 Million to our disaster management unit to ensure that it is well capacitated in terms of dealing with disasters.

Ladies and gentlemen

Sport and culture are among the most important threads which hold the fibre of our communities together. We therefore are going to continue on our efforts to ensure that sports and cultural activities are promoted in the district. We are going to support among others the annual Executive Mayor's Charity Cup, the indigenous games, golden games and other sports and

cultural activities. These will be some of the interventions we will be making to ensure that we remove our children off the streets.

Still on sports, the Executive Mayor's Charity Cup has become a both a sport and tourism flagship project for the Mopani District. We have set aside R3million for this tournament, which we use to galvanise resources for social welfare while promoting social cohesion. We also want to announce to this august sitting that this year's instalment of the Executive Mayor's Charity Cup will take place towards the end of July at a venue still to be concluded. We call upon all the residents of Mopani and Limpopo in general to support this tournament as another way of contributing to charity and social cohesion.

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The Constitution of the Republic of South Africa declares that government is comprised National, Provincial and Local spheres of government which are distinctive, interdependent and interrelated. As such, we are happy to note that other sector departments will be rolling out various projects and programs enders of millions. The same department will be spending millions of rand to construct decent and befitting Traditional Council offices at Sekgopo in Greater Letaba and in Greater Giyani. Some of these projects will be implemented through and by our local municipalities. These include the installation of Apollo lights, tarring of streets and roads, electrification and construction of recreational parks. All these, are the combined efforts by the ANC led government of working together to move South Africa forward.

Unemployment remains the thorn in the flesh of government and that of our community members. We will continue to make strides to ensure that we face the monster of unemployment head on. We have budgeted over R5million for our Local Economic Development program. This program will among others facilitate community based cooperatives which has been proven to be among the answers to unlock the challenges of unemployment.

Through our LED programs, we also seek to support Small Micro Medium Enterprises so that in turn they can help create jobs as they grow.

We have reported to you during our previous budget speech that we are forging ahead with our intention to implement the LED projects which were unearthed through feasibility studies as

having potential to stimulate economic growth and create more sustainable jobs in the district. We will be continuing with the implementation of the Renewable Energy project and the Abattoir which will be implemented following the Private Partnership model as allowed by the Municipal Systems Act, the Municipal Finance Management Act and the PPP regulations as approved by government. All in all, we will spend around R6 Million in the coming financial year for the implementation of our local economic development (LED) projects.

We will also continue to ensure that issues affecting people with disabilities find expression. We have just adopted our District Disability Strategy. We will continue to support the disability forums and indaba which ensure that people with disabilities discuss matters affecting them and take implementable resolutions to that effect.

Madam Speaker

It is often said that the greatest asset that anyone has at any given time is good health. Hence we believe that an investment in this asset will produce quite lucrative spin offs. Surely there will be no need to spend on water, roads, electricity, jobs and all these amenities if we are not going to have community members to enjoy them. We therefore as the district municipality promote healthy lifestyles. We have set aside an allocation in the coming financial year conduct health and hygiene workshops, the celebration of the World Aids Day and the World Food Day.

With these projects and others which we did not have time to mention, we believe that we are well geared towards building a better Mopani which in the future we will be able to look back and be proud of.

Madam Speaker

During our various interactive sessions with our community members, we have often heard of allegations of corruption, fraud, nepotism, lack of responsiveness towards community issues and many others concerns. To this effect, we will be launching the Executive Mayor’s Hotline. This hotline will be a toll free number which will allow community members to report any matter related to service delivery or lack thereof on issues related to Mopani District Municipality. Through this hotline number, our communities will be able to complain or report without necessarily disclosing their names. We believe that this hotline will increase our platform for interacting with communities on various issues affecting them and it will also increase accountability on our part as government on how we deliver services to our people and how we utilise the contents of the public purse.

In conclusion madam Speaker, I present to this august house the proposed Integrated Development Plan and a proposed budget of R1 BILLION 560 MILLION 993 THOUSAND AND 600 RANDS as well as finance policies for approval.

I thank you.

1.2 Council Resolutions

Council of Mopani District Municipality met to consider the annual budget of the municipality for the financial year 2014/2015. The Council approved and adopted the following resolutions:

1. The Council of Mopani District Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

   1.1. The annual budget of the municipality for the financial year 2014/2015 and the multi-year and single-year capital appropriations as set out in table A1 to A10 and supporting tables SA 1 to SA 37.
   - 1.1.1. A1: Budget Summary
   - 1.1.2. A2: Budgeted Financial Performance (revenue and expenditure by standard classification).
   - 1.1.3. A3: Budgeted Financial Performance (revenue and expenditure by municipal vote)
   - 1.1.4. A4: Budgeted Financial Performance (revenue by source and expenditure by type)
   - 1.1.5. A5: Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source
   - 1.1.6. A6: Budgeted financial position
   - 1.1.7. A7: Budget Cash flow
   - 1.1.8. A8: Cash backed reserves/accumulated surplus reconciliation
   - 1.1.9. A9: Asset Management
   - 1.1.10. A10: Basic Service Delivery measurement

2. The Council of Mopani District Municipality has adopted the following budget related policies on 30 March 2014.

   - 2.1. Fleet management policy
   - 2.2. tariffs policy
   - 2.3. indigent policy
   - 2.4. budget policy
   - 2.5. investment policy
   - 2.6. Virement policy
   - 2.7. Supply chain Management policy
   - 2.8. Asset management policy
   - 2.9. Writing off of bad debts policy
   - 2.10. Inventory
   - 2.11. Support to Traditional Leaders
   - 2.12. Credit control and debt collection

3. The Council of Mopani District Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) will adopt the tariffs for water and sewerage as per annexure (Greater Tzaneen, Greater Letaba, Ba-Phalaborwa, Greater Giyani and Maruleng), unmetered yards in villages, fire services and sale of tender documents.

1.3 Executive Summary

The Mopani District Municipality has during August 2013 approved a time schedule outlining the key deadlines in terms of the preparation of both IDP and budget for the 2014/2015 financial year. In the reminding ourselves about the objectives of the Municipal Finance Management Act, the application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the Mopani District Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The service delivery priorities were reviewed as part of this year's planning and budget process. The municipality's budget has been aligned to the national key indicators to allow maximum service delivery. The current climate has given rise to a need by municipality to maximise on water projects. In the previous year, the municipality appointed a service provider for the compilation of the Revenue Enhancement Strategy, which will include policy for credit control and debt collection. The strategy will therefore give birth to compilation of the Indigent Register for an effective implementation of the strategy.

National Treasury's MFMA Circular No. 51, 54, 55, 58, 59, 66, 67, 70 and 72 were used to guide the compilation of the 2014/2015 MTREF.

The main challenges experienced during the compilation of the 2014/2015 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water infrastructure;
- The need to reprioritise projects and expenditure within the existing available resources given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity (due to tariff increases from Lepelle Northern Water and Eskom), which is placing upward pressure on service tariffs to residents.
- Affordability of capital projects considering that the municipality is predominantly rural with no infrastructure.
- Fully taking over the staff and liabilities from DWA.
- Cost effective tariff implementation on residents.

Our budget was informed amongst others by the following:

- The 2013/14 Adjustments Budget priorities and targets,
- Tariff increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity.
- Ensuring that service delivery and capital projects use labour intensive methods;
- Ensuring that service providers use labour intensive approaches;
- Supporting labour intensive LED projects;
- Participating fully in the Extended Public Works Programme; and
- Implementing interns programmes to provide young people with on the job training.

The table below gives an overview of the Mopani District Municipality 2014/2015 budget

Table 1 Consolidated Overview of the 2014/2015 MTREF

R Thousand	Budget Year 2014/2015	Budget Year 2015/2016	Budget Year 2016/2017
Total Revenue	1’548’595’734	1’716’561’217	1’703’254’515
Total Operating Expenditure	894’275’748	937’233’132	777’882’489
Surplus Deficit	654’319’986	779’528’085	925’372’026
Total Capital Expenditure	674’966’000	468’583’000	466’022’000
Surplus/(Deficit) after capital exp	(20’746’013)	310’645’085	459’350’025

1.4 Operating Revenue Framework

The municipality derives its revenue mainly from grants and subsidies.

The following table is a summary of the 2014/2015 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	2014/15	2015/16	2016/17
Equitable Shares	561’080’000	631,427,000	691,597,000
Regional Bulk Water -Nandoni(Drought Relief)	90’000’000	-	-
EPWP	2’195’000	-	-
Regional Bulk Water -Mametja Sekororo	44’915’000	140’167’000	-
DWA WSOG (Refurbishment)	25’000’000	30’000’000	50’000’000
Municipal Water Infrastructure Grant	43’071’000	102’532’000	107’966’000
Financial Management Grant	1’250’000	1’250’000	1’300’000
DWA WSOG (In Kind)	11’957’000	12’771’000	13’670’000
Municipal Systems Improvement Grant	934’000	967’000	1’018’000
Municipal Infrastructure Grant	429’490’000	452’363’000	473’944’000
Regional Bulk Water -Nwamitwa	250’000	-	-
Rural Transport Grant	1’995’000	2’045’000	2,117’000
Interest Earned	1’050’000	1’600’000	1’650’000
Services charges- Water and Sewage	206’605’412	205’756’696	217’552’165
Services Charges- Unmetered yards	123’833’322	130’520’321	137’568’418

Other revenue	4’870’000	5’162’200	5’471’932
Total	**1’548’495’734**	**1’716’561’217**	**1’703’254’515**

The table below illustrate the breakdown of the services charges of Water and Sewage per local municipality and the district municipality on unmetered yard

Municipality	**2014/15**	**2015/16**	**2016/17**
Ba-Phalaborwa-Water	105’263’478	110’947’706	116’938’882
Ba-Phalaborwa-Sewerage	14’562’555	15’348’933	16’177’775
Greater Giyani- Water	13’468’110	14’195’388	14’961’939
Greater Giyani- Sewerage	2’850’843	3’004’789	3’167’047
Greater Letaba – Water	11’776’103	12’412’013	13’082’261
Greater Letaba – Sewerage	4’599’801	4’848’190	5’109’993
Greater Tzaneen – Water	40’402’664	31’833’608	33’552’623
Greater Tzaneen – Sewerage	9’217’537	8’460’676	9’002’159
Maruleng – Water	4’131’119	4’382’250	4’618’892
Maruleng – Sewerage	333’202	323’144	340’594
MDM unmetered yard	123’833’322	130’520’321	137’568’418
Total	**330’438’734**	**336’277’017**	**354’520’582**

Included in the above table which illustrate the services charges on water and sewage are interest on outstanding debtors by local municipalities.

Municipality	**2014/15**	**2015/16**	**2016/17**
Ba-Phalaborwa-Water	10’338’130	10’896’389	11’484’794
Ba-Phalaborwa-Sewerage	1’989’630	2’097’070	2’210’312
Greater Giyani- Water	1’404’221	1’480’049	1’559’972
Greater Giyani- Sewerage	263’585	277’819	292’821
Greater Letaba – Water	798’364	841’476	886’915
Greater Letaba – Sewerage	1’346’971	1’419’707	1’496’372
Greater Tzaneen – Water	3’109’801	3’277’730	3’454’728
Greater Tzaneen - Sewerage	667’045	709’736	755’159
Maruleng – Water & Sewerage	26’614	28’051	29’566
Total	**19’944’361**	**21’028’027**	**22’170’639**

1.4.1 Sale of Water and Impact of Tariff Increases

Mopani District Municipality is a Water Services Authority and has appointed the locals municipality as Water Service Providers. In addition to the local municipalities been appointed as water service providers, the Lepelle Northern Water has also been appointed to do water provisioning in other areas of the district. Water Service Level Provision Agreements have been signed will all involved in water service provisioning.

- Water tariffs are fully not cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

Tariffs policy and indigent policy have been prepared and forms part of the budget related policies presented to give effect to the effective implementation of all issues mentioned above.

The bulk supply of water is done by Lepelle Northern Water using Politsi, Modjadji, Ba-Phalaborwa and Nkowankowa schemes.

An average across the board tariff increase of 6.0 per cent from 1 July 2014 for water is proposed. This is based on input cost assumptions of for each individual schemes. In addition 6 kℓ water per month will again be granted free of charge to all indigents households.

In addition to the sale of water, the municipality has introduced a flat rate on unmetered yards.

	Service Rendered	**Unit**	**Proposed Tariff**	**VAT**		**Inclusive of VAT**
				Yes	**No**	
1	Consumers who are not metered but have yard connections and getting water from standpipes supplied from surface or ground water (boreholes).	Per Month				
	7 days per week of receiving or supplied with water	Per Month	64.20	Yes		73.19
	4 - 5 days per week of receiving or supplied with water	Per Month	45.86	Yes		52.28
	3 - 4 days per week of receiving or supplied with water	Per Month	36.69	Yes		41.82
	2 - 3 days per week of receiving or supplied with water	Per Month	27.51	Yes		31.37
	0 - 2 days per week of receiving or supplied with water	Per Month	0.00	Yes		0.00

SUMMARY OF CHARGES ON UNMETERED YARDS (FLAT RATE)

Municipality	Anticipated Monthly Collection	Collection less Indigent Allowance	**Annual**
Giyani	R 1,955,078.98	R 1,759,571.08	**R 21,114,852.97**
Letaba	R 1,510,024.25	R 1,359,021.83	**R 16,308,261.91**
Tzaneen	R 1,949,969.17	R 1,754,972.26	**R 21,059,667.06**
Ba-Phalaborwa	R 2,899,709.01	R 2,609,738.11	**R 31,316,857.34**
Maruleng	R 3,754,743.12	R 3,379,268.81	**R 40,551,225.71**
Total	**R 12,069,524.54**	**R 10,862,572.08**	**R 130,350,865.00**

Commission @ 5%	**R 6,517,543.25**
Estimated collection after commission	**R 123,833,321.75**

The proposed tariffs are as per the annexure attached.

1.4.2 Sanitation and Impact of Tariff Increases

A tariff increase of 6.0 per cent for sanitation from 1 July 2014 is proposed. This is based on the input cost assumptions related to water.

- Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;
- Free sanitation will be applicable to registered indigents; and

Proposed tariffs are as per annexure

1.4.3 Overall impact of tariff increases on households

The overall percentage increase on tariffs is on average 6.0. For the sale of tenders, these are the reviewed tariffs determined in terms of the approved tariff policy.

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2014/2015 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and

The following table is a high level summary of the 2014/2015 budget and MTREF (classified per main type of operating expenditure):

Table 3 Summary of operating expenditure by standard classification item

EXPENDITURE BY TYPE	**2014/2015 R**	**2015/2016 R**	**2016/2017 R**
Employee related cost-Salaries and wages	271’387’807	288’756’627	307’237’051
Employee related cost-Social contribution	87’607’946	93’214’855	99’180’605
Depreciation	137’368’895	144’237’340	151’449’207
Debt impairment	19’856’107	21’355’207	22’508’388
Repairs and Maintenance	103’068051	108’011’454	113’412’026
Contracted Services	11’765’551	12’353’829	12’715’520
Bulk Purchases	143’580’645	150’759’677	158’297’661
General Expenditure	119’640’745	248’313’938	70’026’064
Capital Outlay	55’820’000	35’170’000	7’078’000
Infrastructure	619’146’000	433’413’000	438’944’000
Total	**1’569’241’746**	**1’405’916’132**	**1’243’904’489**

The budgeted allocation for employee related costs for the 2014/15 financial year totals R358' 995'753, which is 41 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 6.8 per cent for the 2014/2015 financial year. An annual increase of 6.4 per cent has been included in the two outer years of the MTREF.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation and the adjustment in the equitable share allocation in this regard have been taken into account in compiling the municipality's budget.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption.

Bulk purchases are directly informed by the purchase of water from Lepelle Northern Water and the Department of Water Affairs. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals.

Other expenditure comprises of various line items relating to the daily operations of the municipality.

1.5.1 Priority given to repairs and maintenance

In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

Aligned to the priority being given to preserving and maintaining the municipality's current infrastructure, the budget and MTREF provide for extensive growth in the area of asset maintenance as informed by the asset renewal strategy and repairs and maintenance plan from the municipality.

During the compilation of the budget, operational repairs and maintenance was identified as a strategic imperative owing to the aging of municipal infrastructure and historic deferred maintenance.

Due to financial constraint, the municipality could not provide adequately for the repairs and maintenance of Property, plant and equipment.

1.5.2 Free Basic Services: Basic Social Services Package

Mopani District Municipality provides as part of its basic social services package both free basic water of 6kl and free sanitation for all indigent households per month.

1.6 Capital expenditure

The total capital budget for the 2014/2015 financial year amounts to R674'966'000 of which R419'100'000 is for municipal infrastructure grant, representing 62 percent of total capital budget. Other Water infrastructure projects which are funded by Regional Water Infrastructure Grant amounting to R135'165'000 and Municipal Water Infrastructure Grant amounting to R43'071'000. Other capital projects amount to R77'630'000 which include amongst others Smart meter systems, Installation of meters, vehicles and other administrative equipment.
Further detail relating to asset classes and proposed capital expenditure is contained in Table A9 (Asset Management). In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class. Some of the salient projects to be undertaken over the medium-term includes, amongst others:

The following are some of the capital expenditure projects to be implemented in the 2014/2015financial year:

Sekgosese Water Development Water Scheme	: R 3 367 619
Giyani Water Works- Extension and upgrading	: R19 965 844
Hoedspruit Bulk Water supply	: R40 000 000
Kamperus Sewage Plant	: R48 210 000
Upgrading of water reticulation in Greater Tzaneen	: R12 000 000
Upgrading of water reticulation in Greater Letaba	: R 2 226 397
Jopie Mawa Bulk Water Supply	: R38 519 094
Upgrading of water reticulation in Ba-Phalaborwa	: R65 860 419
Upgrading of water reticulation in Maruleng	: R20 000 000
Kamperus Water supply	: R 9 874 609
Upgrading of Thabina Water Treatment Plant	: R42 170 589
Tours Bulk Water scheme	: R 5 591 444
Tours Bulk Water Scheme (upgrading)	: R34 075 046
Upgrading of Nkowankowa Sewer Plant	: R 9 052 351
Upgrading of Phalaborwa Sewer Plant	: R 8 454 913
Mopani Rural Household Sanitation	: R38 939 129
Lephepane Bulk Water Scheme	: R10 660 620
Selwane Water	: R10 131 452
Mametja Sekororo Regional Water Scheme	: R44 915 000
Nandoni to Nsami Pipeline	: R90 000 000
Smart Metering system	: R 7 000 000
Installations of meters	: R 8 000 000
Installation of USSD Electronic Reporting System	: R 2 000 000
MWIG projects for the refurbishment	: R43 170 000

1.6.1 Future operational cost of new infrastructure

The infrastructure development done is mainly in the rural areas and presently there is no revenue collection done at these areas hence no operational cost of new infrastructure.

1.7 Annual Budget Tables – Mopani District Municipality

Ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2014/2015 budget and MTREF as adopted by the Council.

1.7.1. Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
    a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
    b. Capital expenditure is balanced by capital funding sources, of which
        i. Transfers recognised is reflected on the Financial Performance Budget;
        ii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.

1.7.2. Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms if each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is not the case for Water and Sanitation. This situation is due to distribution losses, debt impairment and salaries and allowances of personnel operating in rural areas where there is no billing. The tariffs for local municipalities are also not cost reflective. The revenue generated is less than the expenditure.

1.7.3. Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote.

1.7.4. Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

Total revenue excluding capital transfers is R939million in 2014/2015 and escalates to R1'019 million and R1'119 million by 2015/16 and 2016/2017 respectively. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government.
The main component of the total revenue is grant and subsidies amounting to R602 million, R676 million and R757 million for the financial years 2014/2015, 2015/2016 and 2016/2017 respectively. The other revenue component is Service charges for water & sanitation amount to R330 million, R 336 million, R355 million for the financial years 2014/2015, 2015/2016 and 2016/2017 respectively. Included in the services charges is the amount levied on unmetered yards amounting to R124 million, R 131 millions and R138 millions for the financial years 2014/15, 2015/16 and 2016/17 respectively. The main components of other income is sale of tenders at R1.6 million, Mayor's charity cup at R3.2 million, fire services charges at R210 000 and others at R430 000.

The total operating expenditure is projected to be R894 million in 2014/15, R934 million and R979 million in the 2015/16 and 2016/17 financial years. The finance charges constitute of interest paid and bank charges.

1.7.5. Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2014/2015 R675 million has been allocated.

Explanatory notes to Table A6 - Budgeted Financial Position

Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).

This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

Table SA3 provides a detailed analysis of the major components of budgeted financial position items, including:

- Property, plant and equipment;
- Trade and other payables;
- Changes in net assets; and

The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

1.7.7. Explanatory notes to Table A7 - Budgeted Cash Flow Statement

The budgeted cash flow statement is the first measurement in determining if the budget is funded.
It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
Cash and cash equivalents totals for 2014/2015 amounts to R19 million.

1.7.8. Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
As indicated in Table SA 10, the Mopani District Municipality's budget is fully funded for the 2014/2015 financial year.

1.7.9. Explanatory notes to Table A9 - Asset Management

Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class. An amount of R448 million will be spend on new assets in the 2014/2015 financial year while an amount of R96 million will be spend on renewal of existing assets.

1.7.10. Explanatory notes to Table A10 - Basic Service Delivery Measurement

Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
As indicated in the Mayor's Report, the Municipality continues to make good progress with the eradication of backlogs with sanitation backlog being targeted. The new statics information shows that the households have increased with around 25 percent from the previous statistics, hence the increase in backlogs.

2 Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Head of Finance Portfolio Committee.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2012) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule in August 2013. Key dates applicable to the process were:

- **21-22 January 2013** – Strategic planning session took place at Swadini. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2014/2015 MTREF;
- **07 January 2013** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **25 January 2014** - Council considers the 2013/14 Mid-year Review
- **28 February 2014 -** Adjustments Budget is approved;
- **30 March 2014** - Tabling in Council of the draft 2014/2015 IDP
- **06– 09 May 2014** MTREF 2014/2015 for public consultation
- **329 May 2014** - Tabling of the 2014/2015 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan.

The IDP has been taken into a business and financial planning process leading up to the 2014/2015 MTREF, based on the approved 2013/14 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2014/2015 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2013/14 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2014/2015 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2014/2015 MTREF:

- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2013/14 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51, 54, 58, 59, 66, 67, 70, 72 and the cost containment measures has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

After the draft 2014/2015 MTREF tabled before Council on 30 March 2014 for community consultation was published on the municipality's website, and hard copies will be made available at customer care offices, municipal notice boards and various libraries.

The public participation process took place from 12-19 May 2014.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

2.2 Overview of alignment of annual budget with IDP

The IDP is informed by the consultation process with the community through community public participation process. Priorities are identified and reprioritized taking into consideration the need to satisfy the basic needs of the community.

This is costed annually through the Medium Term Revenue Expenditure Framework taking into account the availability of funds and the need to provide sustainable basic services.

The IDP has been guided amongst others by the following:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.
- Limpopo employment, Growth and Development plan

2.3 Measurable performance objectives and indicators

The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual directors' performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance.

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monthly Monitoring monitoring and checking on the progress against plan;
- Identifying areas requiring change and improvement;
- Quarterly reporting to council
- Making changes where necessary.

2.3.1 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality.
All qualifying indigent's households receive 6 kl per month of free basic water and free sanitation as per indigent policy of the municipality.

2.3.2. Providing clean water and managing waste water

In terms of the 2009/2010 financial year performance with regard to the provision of all schemes in the district that are run by both Lepelle Northern Water and Greater Tzaneen Municipality, have a blue drop status. The schemes that are run by the Mopani District Municipality had status of between 20 and 30 percent in the 2009/2010 financial year.

For the financial year, 2010/2011, the Mopani District received an average of 72% for the blue drop status. Tzaneen and Nkowankowa schemes received the blue drop status.

BLUE DROP PROGRESS REPORT 2012

PROVINCIAL PERFORMANCE: POSITION 3

MOPANI OVERALL SCORE; 79.21%

PLANTS RUN BY TZANEEN LOCAL MUNICIPALITY

1. Tzaneen Water Supply System: Have Blue Drop Certificates
2. Letsitele Water Supply System: have Blue Drop Certificate

PLANTS RUN BY LEPPELLE WATER BOARD

1. Phalaborwa 92.63%
2. Nkowankowa 93.07%
3. Politsi/Modjadji 92.88%

PLANTS RUN BY MDM

1. Nondweni 66.27%
2. Nkambako 67.39%
3. Tours 80.49%
4. Thabina 64.41%
5. Thapane/Semarela 65.68%

6. Giyani 65.48%
7. Mapuve 63.17%
8. Middle Letaba 66.18%

GREEN DROP 2012

PROVINCIAL POSITION; 2

PLANTS PERFORMANCE

1. Tzaneen 84%
2. Giyani No Monitoring results during assessment due lack of instruments.
3. Lenyenye 41.7%
4. Nkowankowa 66.1%
5. Lulekani 52.4%
6. Namakgale 50.6%
7. Phalaborwa 45.7%
8. Kgapane No Monitoring results due to lack of instruments.

2.4 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies and all policies are reviewed

2.4.1 Credit control and debt collection procedures/policies

The Credit control and debt collection is currently under review.

2.4.2 Asset Management Policy

The Asset Management, Infrastructure and Funding Policy is considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. The policy has been reviewed for 2014/2015 financial year.

2.4.3 Budget Policy

The budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial

management practices of municipalities. The policy has been reviewed for 2014/2015 financial year.

2.4.4 Supply Chain Management Policy

The goal of this Policy is to provide a mechanism to ensure sound, sustainable and accountable supply chain management within the Mopani District Municipality, whilst promoting black economic empowerment.

The Supply Chain Management Policy has been reviewed and comments were also sought from Provincial Treasury. The policy has been reviewed for 2014/2015 financial year.

2.4.5 Cash Management and Investment Policy

The purpose of this policy is to secure the sound and sustainable management of Mopani District Municipality's surplus cash and investments.

The Municipality's Cash Management and Investment Policy have been reviewed for 2014/2015 financial year.

2.4.6 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policy has been reviewed for 2014/2015 financial year.

2.4.7 Indigent policy

The indigent policy seeks to balance the immediate needs of the poor population to have access to affordable basic services with the long term implications of failure to implement remedial measures coupled with the provision of affordable services to indigents in a financially viable manner.

The policy has been reviewed for 2014/2015 financial year.

2.4.8 Writing off of bad debts

The purpose of this policy is to ensure that the principles and procedures for writing off irrecoverable debt are formalised.

The policy has been reviewed for 2014/2015 financial year.

2.4.9 Virement policy

The purpose of this policy is to provide a framework whereby transfers between

line items within votes of the operating budget may be performed with the approval of certain officials.

The policy has been reviewed for 2014/2015 financial year.

2.4.10 Inventory Policy

The purpose of this policy is to ensure that all the inventory management processes relating to purchasing, issuing and control are formalised.

The policy has been reviewed for 2014/2015 financial year.

2.4.11 Support to Traditional Leaders Policy

The purpose of this policy is to provide guidance to the municipality on the support to be provided to the traditional leaders within the district jurisdiction.

The policy has been reviewed for 2014/2015 financial year.

2.1.12 Fleet management Policy

The purpose of this policy is to clarify the position regarding the municipal transport. This covers the use of municipal transport within the municipality and inter alia the use of municipal vehicles permanently allocated to a specific department.

The policy has been drafted for approval

2.5 Overview of budget assumptions

2.5.1 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2014/2015 MTREF:

- National Government macro economic targets;
- The general inflationary outlook of 5.4%
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration.

2.5.2 Collection rate for revenue services

The debt impairment as indicated in the budget seeks to indicate that more efforts need to be put in the collection process.

2.5.3 Salary increases

Salary increases as guided by Circular 72 of National Treasury is 6.8%.

2.5.4 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

The municipality's infrastructure projects are labour intensive.

2.5.5 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 99 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2014/2015 MTREF of which performance has been factored into the cash flow budget.

2.6 Budget funding compliance and funding measurement

2.6.1 Cost containment measures

The cost containment measures must be implemented to eliminate waste, reprioritise spending and ensure savings on six focus areas namely, consultancy fees, no credit cards, travel and related costs, advertising, catering and events cost as well as costs for accommodation. Municipalities were strongly urged to take note of the cost containment measures as approved by Cabinet and align their budgeting policies to these guidelines to the maximum extent possible.

2.7 Municipal manager's quality certificate